

COUNTY EXECUTIVE'S 2013 BUDGET

DEPT: GENERAL COUNTY DEBT SERVICE

UNIT NO. 9960

FUND: Debt Service - 0016

BUDGET SUMMARY			
	2011 Actual*	2012 Budget	2013 Budget
<u>Expenditures</u>			
Debt Service Principal (8021)	\$ 66,244,114	\$ 66,527,817	\$ 69,070,000
Debt Service Interest (8022)	42,830,214	41,000,258	40,165,619
Penalties and Interest (8031)			
Total Principal and Interest	\$ 109,074,328	\$ 107,528,075	\$ 109,235,619
Debt Retirement (6999)	0	0	0
Interest Allocation (9880)	(42,080,685)	(41,069,747)	(40,820,419)
Total Expenditures	\$ 66,993,643	\$ 66,458,328	\$ 68,415,200
<u>Contributions</u>			
Reserve for County Bonds (4703)	\$ 0	\$ 1,737,578	\$ 5,452,766
Total Contributions	\$ 0	\$ 1,737,578	\$ 5,452,766
<u>Revenues</u>			
Jail Assessment Surcharge (1315)	\$ 1,261,781	\$ 1,429,374	\$ 1,443,668
ARRA IRS Reimbursement (2410)	819,742	0	1,920,157
Sale of Capital Asset (4905)	8,378,000	6,300,000	6,075,550
Bond and Note Proceeds (4907)	1,197,903	0	0
Revenue from Project Rents (4999)	1,062,383	438,775	439,581
Total Revenues	\$ 12,719,809	\$ 8,168,149	\$ 9,878,956
Direct Property Tax Levy**	\$ 54,273,834	\$ 56,552,601	\$ 53,083,478

* 2011 actual excludes balance sheet entries to record principal retired for proprietary fund departments. This adjustment is intended to allow 2011 information to be reported on a basis comparable to the subsequent year budget summaries.

** County sales and use tax revenues are dedicated primarily to the payment of general obligation debt service costs. For budgetary purposes, the County's pledge to levy ad valorem taxes for the payment of debt service payments treats sales tax revenues and property tax revenues as interchangeable.

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Summary of Bonds and Notes Outstanding

Type of Issue	True Interest Rate	Date of Bond Issue	Final Maturity Date	Bonds or Notes Outstanding 12/31/12	2013 Budget Requirements	
					Principal	Interest
C	3.95	02/01/03	08/01/18	0	-	-
R	3.48	07/01/03	08/01/17	69,345,000	24,590,000	2,406,635
C	3.72	02/01/04	08/01/19	14,895,000	1,855,000	591,869
C	4.24	06/01/06	12/01/20	15,100,000	1,650,000	678,200
R	3.89	02/01/06	10/01/15	21,050,000	10,320,000	1,060,163
C	4.14	04/01/07	10/01/21	22,755,000	2,525,000	1,137,750
C	4.12	06/01/08	12/01/22	26,620,000	1,520,000	1,078,975
C	3.93	06/01/08	12/01/23	27,955,000	1,655,000	1,096,550
C	5.04	08/01/09	10/01/24	24,775,000	0	1,221,733
R	2.00	08/01/09	10/01/16	6,125,000	775,000	149,794
C	4.87	08/01/10	08/01/24	30,365,000	895,000	1,406,500
N	2.55	08/01/10	08/01/19	10,045,000	1,795,000	265,913
C	4.60	04/01/11	10/01/29	22,725,000		992,743
N	2.37	04/01/11	10/01/18	9,625,000	1,505,000	232,213
C	4.78	10/01/11	10/01/26	38,165,000	1,245,000	1,694,155
N	2.82	10/01/11	10/01/20	8,825,000	1,040,000	219,275
R	5.04	10/01/11	10/01/18	30,445,000	<u>6,225,000</u>	<u>1,522,750</u>
Projected Outstanding Balance as of December 31, 2012 and Associated Debt Service				\$ 378,815,000	\$ 57,595,000	\$ 15,755,215
Taxable GO Notes						
	6.84	12/01/09	12/01/33	\$ 233,725,000	\$ 11,475,000	\$ 14,596,754
Taxable Pension Anticipation Notes						
	5.39	12/01/09	12/01/13	<u>135,000,000</u>	<u>895,000</u>	<u>8,918,650</u>
				\$ 368,725,000	\$ 12,370,000	\$ 23,515,404
Total 2013 Debt					\$ 109,235,619	

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Type of Issue Explanation

- A -Airport Bonds
- B -Building Bonds
- C -Corporate Purpose Bonds
- D -Detention Facility Bonds
- N -General Obligation Note
- R -Refunding Bonds
- AR-Airport Refunding Bonds
- TB-Taxable Bonds
- STFLP- State Trust Fund Loan Program

PENSION OBLIGATION BONDS

Pension Obligation Bond Debt Service

The estimated 2013 debt service costs for the pension obligation notes issued in 2009 is \$35,885,404 which includes the principal due on the Taxable Pension Notes, Series 2009A and the interest on both the Series 2009A and Series 2009B Notes. The five-year \$135,000,000 Taxable Pension Notes, Series 2009B (2009B Pension Notes) will become due on December 1, 2013. In 2009, when the 2009B Pension Notes were issued, it was the plan of the County to refinance these notes, when due, for a period of twenty years. The Comptroller's Office plans to submit an initial authorizing resolution to the County Board of Supervisors for approval in October 2012 for this refinancing. If approved, and depending on current market rates, the notes could be refinanced as soon as December 2012. Final principal and interest payments for the replacement debt issue have not been determined. For 2013, the County would be required to pay the remaining interest on 2009B Pension Notes, plus any interest on the new debt issued to refinance the 2009B Pension Notes.

The 2013 Budget includes an estimated interest amount of \$8,918,650 related to the interest payment on the bonds used to refund the 2009B Pension Notes and an estimated principal amount of \$895,000 that will be applied toward the refunding of the 2009B Pension Notes. The 2013 debt service payment for the 2009B Pension Notes is an interest only payment of \$7,276,500, which would result in \$1,642,150 (\$8,918,650 minus \$7,276,500) to be applied towards principal and/or interest on the refunding bonds. Therefore, a total estimated amount of \$2,537,150 (\$1,642,150 plus \$895,000) would be available to apply towards principal and/or interest on the 2009B Pension Notes. The final amount of funds allocated to pay down the principal for the 2009B Pension Notes will be dependent upon the actual interest amount required for the refunding bonds. The first draw on the funds will be to pay the interest on the new bonds and any remaining amount will be applied to the principal on the bonds.

To accurately reflect all benefit related costs, the pension obligation debt service expenses are budgeted in the Org. 1950 - Employee Fringe Benefits. In addition, to accurately reflect all debt service costs, this amount is also included in the principal and interest amounts within the General Debt Service Fund Budget. To avoid duplication of the debt service costs, the amount is abated in the General Debt Service Budget.

DEBT SERVICE CONTRIBUTIONS

Reserve for County Bonds (4703)

A contribution of \$5,452,766 from the Reserve for County Bonds is included for 2013.

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County Fleet Debt Service Abatement

The 2013 debt service costs for the \$20,074,000 issued for vehicles and equipment in 2009 and 2010 is \$3,146,444. To accurately reflect all fleet-related costs, this amount is budgeted in the Org. 5300 – Fleet Management Division and crosscharged to user departments. In addition, to accurately reflect all debt service costs, this amount is also included in the principal and interest amounts within the General Debt Service Fund Budget. To avoid duplication of the debt service costs, the amount is abated in the General Debt Service Budget.

Internal Revenue Service (IRS) Build America Bond (BAB)/Recovery Zone Bond Interest Payments Reimbursements (2410)

In February of 2009, the U.S Congress enacted the American Recovery and Reinvestment Act (ARRA). The ARRA contained many provisions that provide Federal tax credits and stimulate the investment market. In an effort to expand the number of investors and broaden the tax-exempt municipal market, the ARRA contained provisions that allowed state and local governments to issue taxable Build America Bonds (BABs) that provide a credit to investors or credit to issuers that is equal to 35 percent of the interest costs for bonds issued in 2009 and 2010. The ARRA also provided state and local governments the opportunity to issue Recovery Zone Bonds. The Recovery Zone Bonds provide a tax credit of 45 percent on the interest payment on the bonds. For 2013, \$1,920,157 is anticipated to be received from the IRS as reimbursement for \$5,315,130 of 2013 interest expenses relating to Build America Bonds and Recovery Zone Bonds.

Jail Assessment Surcharge (1315)

Jail Assessment Surcharge revenue of \$1,443,668 is projected to be used to pay 2013 debt service costs for the construction of the Criminal Justice Facility (CJF) as allowed by Wisconsin Statutes Section 302.46(2).

Sale of Capital Asset (4905)

Doyle Hospital Sale Revenues

Based on the sale agreement between Milwaukee County and Froedtert Memorial Lutheran Hospital (Froedtert), the County will receive annual payments over 20 years beginning in 1997 and ending in 2016 based on the net operating cash flow generated by Froedtert.

The 2013 annual payment is projected to be \$6,075,550.

<u>Year</u>	<u>Budget</u>	<u>Actual</u>	<u>Suplus (Deficit)</u>
2009	\$3,190,000	\$79,000	(\$3,111,000)
2010	\$3,900,000	\$6,125,756	\$2,225,756
2011	\$6,300,000	\$8,378,000	\$2,078,000
2012	\$6,300,000	\$6,300,000*	\$0

The actual amount for 2012 reflects revenue anticipated to be received in 2012

Revenue from Project Rents (4999)

Milwaukee Kickers Soccer Club

The County issued a total of \$3,750,000 in 1994 and 1995 General Obligation Bonds for the Milwaukee Kickers Soccer Club (MKSC) for the purpose of purchasing land and developing an indoor/outdoor sports complex to be

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located at the Uihlein Soccer Park at 7101 West Good Hope Road in Milwaukee. In 2011, the MKSC completed payments to the County for debt service on these bonds.

The current lease agreement expires in 2014. Milwaukee County is in the process of negotiating an extension with MKSC.

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Marcus Center Renovation

The County issued a total of \$5,802,000 in General Obligation Bonds during 1994 and 1995 for the purpose of renovating the interior of the Marcus Center for the Performing Arts. In 2011, the Marcus Center completed payments to the County for debt service on these bonds.

Intergovernmental Cooperation Council

The County issued \$2,500,000 General Obligation Building Bonds, Series 1997A on July 17, 1997 on behalf of the Intergovernmental Cooperation Council (ICC) for the development of an animal control shelter. The County and ICC have developed a final agreement as required for the release of the bond proceeds to the ICC. The ICC will repay the County for actual debt service costs on this issue.

In 2005, Milwaukee County refunded the debt, which resulted in savings of \$55,643 over the life of the issue. The debt service payments reflect the savings per maturity.

Reimbursement for debt service costs for 2013 total \$229,294 and represents the final year of repayments.

Private Geographic Members (PGMs)

In 2003, Milwaukee County issued general obligation bonds to finance Project WG008 – Milwaukee County Grounds Roadway Rehabilitation. Milwaukee County Ordinance 98.01 states that the Private Geographic Members (PGM's) shall share in the cost of improvements at the County Grounds on an equitable basis. The PGM's consist of Milwaukee County (DHHS – Behavioral Health Division), Froedtert Hospital, Children's Hospital, Medical College of Wisconsin, Curative Rehabilitation and Blood Center of Southeastern Wisconsin.

The cost allocations for improvements are based on a cost sharing formula that is determined by the square footage of building area that the geographic members bear to the total gross square feet of the building area of all geographic members combined. The square footage is evaluated annually and is expressed as a percentage. Presently, the allocation for the County is 17.8 percent and the combined percentage for the remaining PGM's is 82.2 percent. Therefore, 82.2 percent of the debt service costs for the roadway improvements will be paid by the remaining PGMs. The budgeted amount for 2013 is \$210,287.

State Trust Fund Loan Program

The County borrowed \$1,000,000 from the State Trust Fund Loan Program in 2007 and \$2,000,000 in 2009 to finance housing for persons with mental illness. In August 2012, the County made an additional payment in order to retire the remaining principal balances on the loans. For 2013, there is no principal or interest due for state trust fund loans.

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INTEREST ALLOCATION (9880)

Org. No.	Capitalized and Operating Interest Expense for Proprietary Fund Departments	2013 Amount
1162	DAS-Information Management Services Division	\$ 421,586
5041	DOT-Airport Divison	13,838
5300	Fleet Management Division (Prior Year Debt Service)	505,234
5300	Fleet Management Division (Vehicle Initiative)	3,146,444
5500	DAS - Utility	\$ 63,916
5605	Milwaukee County Transit/Paratransit Services	1,156,223
5725	DAS - Facilities Management Division	<u>522,774</u>
	Sub-Total	\$ 5,830,016
1950	Taxable Pension Obligation Notes, Anticipation Notes	<u>\$ 34,990,404</u>
	Total Estimated 2013 Debt Service Abatement	\$ 40,820,419